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ESSAY TITLE: An Analysis of Global Business Environment Forces and Their Impact on BP plc

1. Introduction

Globalisation refers to the increasing integration of national economies through trade, investment, technology and labour mobility resulting in interconnected global markets (Hill, 2023). In contemporary international business globalisation is not a static phenomenon but a dynamic process shaped by technological advancement, geopolitical instability and environmental sustainability pressures. These forces collectively redefine how multinational corporations operate and compete. This essay focuses on BP plc (British Petroleum) a UK-based multinational energy company with a significant global presence. BP operates across the oil, gas and renewable energy sectors positioning itself as a key factor in the global transition towards sustainable energy. The purpose of this essay is to analyse the major forces shaping the global business environment and critically evaluate their implications for BP. It further applies theoretical models, examines the rationale for international trade and assesses market structures influencing strategic decision-making.

2. Analysis of Global Forces Shaping the Business Environment

A deeper analysis of global forces reveals that these drivers are not independent but highly interconnected. Artificial intelligence (AI) for instance is not merely a technological tool but a strategic capability that enhances firm-specific advantages within the Resource-Based View

framework (Barney, 1991). BP's investment in AI-driven exploration technologies represents valuable, rare and difficult to imitate resources. However, the RBV also suggests that sustained competitive advantage depends on organisational capabilities to exploit such technologies effectively, while AI adoption provides evidence of efficiency gains, its long-term value depends on BP's ability to integrate it into organisational processes. Geopolitical tensions can be further understood through institutional theory which emphasises how formal and informal rules shape business behaviour (North, 1990). BP operates across multiple institutional environments each with varying regulatory frameworks and political risks. For example, disruptions in the Red Sea highlight the vulnerability of global supply chains to institutional instability. One can infer that firms with diversified operational bases are better positioned to mitigate such risks. Sustainability regulations, such as the CSRD (the Corporate Sustainability Reporting Directive) requirements can be analysed using stakeholder theory (Freeman, 1984). BP must balance the interests of governments, investors, customers and environmental groups. While compliance enhances legitimacy it may constrain profitability in the short term. Therefore, these global forces create a paradox where firms must simultaneously pursue economic and social objectives.

3. Application of Business Models and PESTLE Analysis

While PESTLE and Porter's Five Forces provide valuable insights their limitations must also be critically evaluated. PESTLE analysis (Political, Economic, Sociological, Technological, Legal and Environmental) offers a macro-level perspective but lacks predictive power. For example, while it identifies geopolitical risks it does not quantify their impact on BP's financial performance. This suggests that PESTLE should be complemented with scenario planning to enhance strategic foresight. Porter's Five Forces (Threat of New Entrants, Supplier Power, Buyer Power, Threat of Substitutes and Competitive Rivalry) although widely used assumes relatively stable industry boundaries. In BP's case, the rise of renewable energy blurs traditional industry definitions as new entrants from the technology sector (e.g. Tesla in energy storage) increase competitive pressure. This indicates that the model may underestimate the threat of substitutes in rapidly evolving industries. Furthermore, Porter's Diamond Model (Factor Conditions, Demand Conditions, Related/Supporting Industries and Firm Strategy/Structure/Rivalry) can be applied to understand national competitive advantage. The UK's strong regulatory framework skilled workforce and technological infrastructure provide BP with a supportive home base. However, high environmental standards may increase operational costs illustrating a trade-off between competitiveness and sustainability.

4. Reasons for International Trade

The reasons for international trade extend beyond traditional explanations such as resource access and market expansion. From a theoretical perspective, Dunning's Eclectic Paradigm (OLI framework) provides a more comprehensive explanation. Ownership advantages (O) will be BP's technological expertise and brand reputation. Location advantages (L) which is access to oil reserves and emerging energy markets. Internalisation advantages (I) gives you an idea of control over operations to reduce transaction costs. This framework provides evidence that BP's internationalisation strategy is multifaceted. However, it can be critically evaluated that globalisation also exposes BP to "liability of foreignness" where operating in unfamiliar markets increases costs and risks. Moreover, dependency on international trade can create vulnerabilities. For instance, supply chain disruptions demonstrate how over-reliance on global networks can reduce resilience. Therefore, while international trade drives growth it also necessitates robust risk management strategies.

5. Opportunities and Challenges for BP

A more nuanced evaluation of opportunities reveals that BP's transition to renewable energy is not only a strategic choice but a necessity driven by market and regulatory pressures. The concept of creative destruction (Schumpeter, 1942) explains how innovation disrupts existing industries. Renewable energy technologies are gradually displacing fossil fuels forcing BP to adapt or risk obsolescence. However, this transition is capital-intensive and uncertain. There is limited evidence that renewable investments will generate equivalent returns in the short term. This creates a strategic dilemma between short-term profitability and long-term sustainability. Geopolitical challenges also require deeper consideration. While diversification reduces risk it may increase complexity and coordination costs. One can infer that firms must balance global integration with local responsiveness as suggested by Bartlett and Ghoshal's (1989) transnational strategy model.

6. Impact on Market Positioning and Competitiveness

From a microeconomic perspective BP's oligopolistic market structure allows for strategic interdependence where firms anticipate competitors' actions. Game theory can be applied to explain pricing strategies and investment decisions. For example, BP's investment in renewable energy may prompt similar actions by competitors intensifying competition. From a macroeconomic perspective the global energy market is influenced by supply-demand

dynamics exchange rates and government policies. The shift towards decarbonisation represents a structural change in the global economy affecting long-term demand for fossil fuels. Critically, the transition to renewable energy may lead to a hybrid market structure combining elements of oligopoly, traditional energy firms and monopolistic competition, new renewable entrants. This evolution requires BP to adopt flexible strategies.

7. Strategic Recommendations

To address these complexities BP should adopt a dynamic capabilities approach (Teece, 2018), focusing on the ability to sense, seize and transform in response to environmental changes. Accelerate Energy Transition, which will be the increase investment in renewable energy while maintaining profitability in core operations.

Develop Dynamic Capabilities: Enhance organisational flexibility to respond to rapid environmental changes.

Strengthen Risk Management: Implement advanced scenario planning to address geopolitical uncertainties.

Leverage Stakeholder Engagement: Build trust through transparent sustainability reporting.

Adopt a Transnational Strategy: Balance global efficiency with local responsiveness.

These recommendations are grounded in theoretical frameworks and supported by evidence from industry trends.

Conclusion

In summary, this essay has provided a comprehensive analysis of the major forces shaping the global business environment and their implications for BP plc. It has demonstrated that globalisation is increasingly characterised by complexity and volatility, driven by technological advancements such as artificial intelligence, geopolitical instability and evolving sustainability regulations. These forces are not isolated rather they interact in ways that intensify both opportunities and risks for multinational corporations. The essay has evaluated how these global dynamics influence BP's strategic positioning and highlighting that while AI and digital transformation enhance operational efficiency and innovation, they also require significant organisational adaptation and investment. Similarly, geopolitical tensions introduce supply chain disruptions and uncertainty, providing clear evidence that global operations are highly sensitive to external political environments. Sustainability regulations, particularly the shift towards decarbonisation have been shown to fundamentally reshape BP's long-term strategic priorities, forcing a transition from traditional fossil fuels to renewable energy sources. A key insight that can be inferred from this discussion is that BP's future competitiveness will depend not only on its ability to

respond to these external pressures but also on its capacity to anticipate and shape them. The integration of theoretical frameworks including the Resource-Based View, institutional theory and the OLI paradigm has illustrated that competitive advantage is increasingly derived from intangible capabilities such as innovation, adaptability and stakeholder engagement rather than solely from physical resources. Critically, the essay has highlighted that the global energy market is undergoing structural transformation. This shift creates a strategic paradox for BP: the need to maintain profitability in its existing operations while simultaneously investing in uncertain but necessary renewable technologies. The ability to manage this tension effectively will determine the firm's long-term sustainability and relevance. Ultimately, this essay emphasises the importance of understanding global business dynamics in shaping effective international strategies. A nuanced appreciation of both macroeconomic and microeconomic factors enables organisations such as BP to make informed decisions in an increasingly interconnected and unpredictable world.

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